

AMENDED IN SENATE APRIL 15, 1999

SENATE BILL

No. 159

Introduced by Senator Johnston
(Coauthor: Assembly Member Alquist)

January 7, 1999

~~An act to amend Sections 22107, 22123, and 22124 of, to add Section 22108.5 to, and to add Chapter 38 (commencing with Section 25500) to Part 13 of Division 1, of Title 1 of, the~~ *An act to amend and renumber Sections 25000 and 25001 of, and to add Part 13.5 (commencing with Section 25000) to Division 1 of Title 1 of, the* Education Code, relating to the State Teachers' Retirement System.

LEGISLATIVE COUNSEL'S DIGEST

SB 159, as amended, Johnston. State Teachers' Retirement System: health care benefits.

Under existing law, the State Teachers' Retirement System provides retirement, disability, and survivor benefits to members of the system and their beneficiaries. ~~The State Teachers' Retirement System is managed by the Teachers' Retirement Board.~~

This bill would ~~provide that the Teachers' Retirement Board shall administer~~ *require the system to develop* a program to provide health care benefits to members of the ~~State Teachers' Retirement System~~ *system* and to their beneficiaries, children, and dependent parents, as ~~specified defined, and would require the costs incurred by the system to be paid by allocations from the Teachers' Retirement Fund as appropriated for that purpose.~~

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 ~~SECTION 1. Section 22107 of the Education Code is~~
2 *SECTION 1. Section 25000 of the Education Code is*
3 *amended and renumbered to read:*
4 ~~25000.~~
5 24975. (a) The board may develop one or more
6 deferred compensation plans under Section 457 of the
7 Internal Revenue Code—~~which~~ *that* an employer may
8 choose to establish and offer to its employees who are
9 members of the plan under this part or Part 14
10 (commencing with Section 26000).
11 (b) ~~In the event that~~ *If* an employer adopts a deferred
12 compensation plan described in subdivision (a):
13 (1) The employer shall enter into a written
14 contractual arrangement with the system under which
15 the system, or a third-party administrator acting on behalf
16 of the system, shall provide investment, recordkeeping,
17 and administrative services for the deferred
18 compensation plan.
19 (2) The initial period of the contractual arrangement
20 described in paragraph (1) shall be for a term of five
21 years.
22 (3) The deferred compensation plan shall continue to
23 constitute a separate plan established and maintained by
24 the adopting employer.
25 (4) The system shall be treated as acting on behalf of
26 the employer in administering the deferred
27 compensation plan.
28 (5) The terms and administration of the deferred
29 compensation plan shall be in accordance with the
30 applicable provisions of Section 457 of the Internal
31 Revenue Code.
32 (6) The interest of an employee, or his or her
33 beneficiary, participating in the deferred compensation
34 plan in the assets, including amounts deferred under the
35 plan and paid over to the Teachers' Deferred

1 Compensation Fund described in Section ~~25001~~ 24976, of
2 the employer sponsoring the deferred compensation plan
3 shall not be senior to that of the general creditors of the
4 employer.

5 (7) In administering the deferred compensation plan
6 on behalf of the employer, the board shall have the same
7 investment authority and discretion and be subject to the
8 same fiduciary standards pursuant to Chapter 4
9 (commencing with Section 22250), with respect to
10 amounts deferred under the deferred compensation plan
11 as applied by the system with respect to the Teachers'
12 Retirement Fund.

13 ~~(c) In the event that~~ If an employer establishes and
14 maintains a deferred compensation plan described in
15 subdivision (a), the deferred compensation plan shall be
16 offered to all of its employees who are members of the
17 plan under this part or Part 14 (commencing with Section
18 26000).

19 (d) An employee participating in a deferred
20 compensation plan established by an employer under this
21 section shall enter into a written agreement with the
22 employer for the deferral of compensation prior to the
23 performance of the services to which that compensation
24 relates.

25 ~~(e) In the event that~~ If an employer chooses to
26 establish and maintain a deferred compensation plan
27 described in subdivision (a) that is to be administered by
28 the system, the employer shall take all necessary or
29 appropriate action to implement this section in
30 cooperation with the system.

31 *SEC. 2. Section 25001 of the Education Code is*
32 *amended and renumbered to read:*

33 ~~25001.~~

34 24976. (a) The Teachers' Deferred Compensation
35 Fund is hereby established to serve as the repository of
36 funds for the deferred compensation plans administered
37 by the system pursuant to this chapter. Notwithstanding
38 any other provision of law, the system may retain a bank
39 or trust company to serve as custodian of the moneys of
40 the Teachers' Deferred Compensation Fund and to

1 provide for safekeeping, recordkeeping, delivery,
2 securities valuation, or investment performance
3 reporting services, or services in connection with
4 investment of the Teachers' Deferred Compensation
5 Fund.

6 (b) The Teachers' Deferred Compensation Fund shall
7 consist of the following sources and receipts, and
8 disbursements shall be accounted for as set forth below:

9 (1) Premiums determined by the system and paid by
10 participating employers and employees for the cost of
11 administering the deferred compensation plan.

12 (2) Asset management fees as determined by the
13 system assessed against investment earnings of
14 investment option or of other investment funds. These
15 fees shall be disclosed to employees participating in the
16 deferred compensation plan.

17 (3) Compensation deferrals to be paid in monthly
18 installments by employers sponsoring deferred
19 compensation plans described in Section ~~25000~~ 24975 for
20 investment by the system. The moneys shall be deposited
21 in the investment corpus account within the Teachers'
22 Deferred Compensation Fund and invested in
23 accordance with the investment options selected by the
24 participating employee.

25 (4) All moneys in the Teachers' Deferred
26 Compensation Fund for disbursement to participating
27 employees shall be continuously appropriated without
28 regard to fiscal year. Disbursements to participating
29 employees shall be paid from a disbursement account
30 within the Teachers' Deferred Compensation Fund in
31 accordance with applicable federal law pertaining to
32 deferred compensation plans.

33 (5) Income, of whatever nature, earned on the
34 Teachers' Deferred Compensation Fund shall be
35 credited to the appropriate account. The accounts of
36 participating employees of the employer shall be
37 individually posted to reflect amounts of compensation
38 deferred and investment gains and losses. A periodic
39 statement shall be given to each participating employee.

(6) The system shall have exclusive control of the administration and investment of the Teachers' Deferred Compensation Fund.

(7) All of the system's costs of administering the deferred compensation plans shall be recovered from the employees who participate in the plans or assets of the Teachers' Deferred Compensation Fund in a manner acceptable to the board.

SEC. 3. Part 13.5 (commencing with Section 25000) is added to Division 1 of Title 1 of the Education Code, to read:

PART 13.5. HEALTH CARE BENEFITS PROGRAM

CHAPTER 1. GENERAL PROVISIONS

25000. (a) The State Teachers' Retirement System shall develop a program to provide health care benefits for members, beneficiaries, children, and dependent parents.

(b) All costs incurred by the system pursuant to this part shall be paid by allocations from the Teachers' Retirement Fund as appropriated for that purpose.

CHAPTER 2. DEFINITIONS

25100. Unless the context otherwise requires, the definitions set forth in this chapter govern the construction of this part.

25110. "Beneficiary" or "beneficiaries" means any person or entity receiving or entitled to receive an allowance and payment pursuant to Part 13 (commencing with Section 22000) or 14 (commencing with Section 26000) because of the disability or death of a member.

25115. (a) "Dependent child" or "dependent children" means a member's unmarried offspring or stepchild who is not older than 22 years of age and who is financially dependent upon the member on the date

1 the member becomes eligible for benefits pursuant to this
2 part.

3 (b) “Offspring” shall include the member’s child who
4 is born within the 10-month period commencing on the
5 date the member becomes eligible for benefits pursuant
6 to this part.

7 (c) “Offspring” shall include a child adopted by the
8 member.

9 (d) “Dependent child” shall not include the member’s
10 offspring or stepchild who is adopted by a person other
11 than the member’s spouse.

12 (e) “Financially dependent,” for purposes of this
13 section, means that at least one-half of the child’s support
14 was being provided by the member on the date the
15 member became eligible for benefits pursuant to this
16 part. The system may require that income tax records or
17 other data be submitted to substantiate the child’s
18 financial dependence. In the absence of substantiating
19 documentation, the system may determine that the child
20 was not dependent on the date the member became
21 eligible for benefits pursuant to this part.

22 25120. “Dependent parent” or “dependent parents”
23 means a natural parent or parents of a member, or a
24 parent or parents who adopted the member prior to the
25 earlier of the occurrence of the member’s marriage or his
26 or her attaining 18 years of age, and who was receiving
27 one-half or more of his or her support from the member
28 at the time the member became eligible for benefits
29 pursuant to this part.

30 25125. “Member” means a member of the Defined
31 Benefit Program, as defined in Section 22146, or a
32 participant in the Cash Balance Benefit Program, as
33 defined in Section 26132.

34 ~~amended to read:~~

35 ~~22107. “Beneficiary” means any person or entity~~
36 ~~receiving or entitled to receive an allowance and~~
37 ~~payment and any person receiving or entitled to receive~~
38 ~~health care benefits pursuant to this part because of the~~
39 ~~disability or death of a member.~~

1 ~~SEC. 2. Section 22108.5 is added to the Education~~
2 ~~Code, to read:~~

3 ~~22108.5. “Health care benefits” means any health care~~
4 ~~benefits provided to any member, beneficiary, child, or~~
5 ~~dependent parent pursuant to Chapter 38 (commencing~~
6 ~~with Section 25500) of this part.~~

7 ~~SEC. 3. Section 22123 of the Education Code, as added~~
8 ~~by Section 9 of Chapter 1165 of the Statutes of 1996, is~~
9 ~~amended to read:~~

10 ~~22123. (a) “Dependent child” or “dependent~~
11 ~~children” under the disability allowance and family~~
12 ~~allowance programs and under the health care benefits~~
13 ~~program means a member’s unmarried offspring or~~
14 ~~stepchild who is not older than 22 years of age and who~~
15 ~~is financially dependent upon the member on the~~
16 ~~effective date of the member’s disability allowance, the~~
17 ~~date of the member’s death, or, with respect to the health~~
18 ~~care benefits program, the date the member became~~
19 ~~eligible for those benefits.~~

20 ~~(b) “Offspring” shall include the member’s child who~~
21 ~~is born within the 10-month period commencing on the~~
22 ~~earlier of the member’s disability allowance effective~~
23 ~~date or the date of the member’s death.~~

24 ~~(c) “Offspring” shall include a child adopted by the~~
25 ~~member.~~

26 ~~(d) “Dependent child” shall not include the member’s~~
27 ~~offspring or stepchild who is adopted by a person other~~
28 ~~than the member’s spouse.~~

29 ~~(e) “Dependent child” under the family allowance~~
30 ~~program shall not include:~~

31 ~~(1) The member’s offspring or stepchild who was~~
32 ~~financially dependent on the member on the date of the~~
33 ~~member’s death if a disability allowance was payable to~~
34 ~~the member prior to his or her death and the disability~~
35 ~~allowance did not include an amount payable for that~~
36 ~~offspring or stepchild.~~

37 ~~(2) A stepchild or adopted child acquired subsequent~~
38 ~~to the death of the member.~~

39 ~~(f) “Financially dependent” for purposes of this~~
40 ~~section means that at least one-half of the child’s support~~

~~1 was being provided by the member on the member's~~
~~2 disability allowance effective date or the date of the~~
~~3 member's death. The system may require that income tax~~
~~4 records or other data be submitted to substantiate the~~
~~5 child's financial dependence. In the absence of~~
~~6 substantiating documentation, the system may~~
~~7 determine that the child was not dependent on the~~
~~8 effective date of the member's disability allowance or the~~
~~9 date of the member's death.~~

~~10 (g) "Member" as used in this section shall have the~~
~~11 same meaning specified in Section 23800.~~

~~12 (h) This section shall remain in effect only until~~
~~13 January 1, 2002, and as of that date is repealed, unless a~~
~~14 later enacted statute, that is enacted before January 1,~~
~~15 2002, deletes or extends that date.~~

~~16 SEC. 4. Section 22123 of the Education Code, as added~~
~~17 by Section 9.5 of Chapter 1165, of the Statutes of 1996, is~~
~~18 amended to read:~~

~~19 22123. (a) "Dependent child" or "dependent~~
~~20 children" under the disability allowance and family~~
~~21 allowance programs and under the health care benefits~~
~~22 program means a member's unmarried offspring or~~
~~23 stepchild who is financially dependent upon the member~~
~~24 on the effective date of the member's disability~~
~~25 allowance, the date of the member's death, or, with~~
~~26 respect to the health care benefits program, the date the~~
~~27 member became eligible for those benefits and who~~
~~28 meets either of the following:~~

~~29 (1) Is not older than 18 years of age.~~

~~30 (2) Is between 18 and 22 years of age and who is~~
~~31 registered as a full-time student as defined in Section~~
~~32 22139 on the effective date of the member's disability~~
~~33 allowance or the date of the member's death. A~~
~~34 dependent child who is a full-time student in the month~~
~~35 he or she attains 22 years of age shall be deemed not to~~
~~36 have attained that age until the first day of the month~~
~~37 following the school quarter or semester that was in~~
~~38 progress in the month the person attains 22 years of age.~~

~~39 (b) "Offspring" shall include:~~

~~(1) The member's child who is born within the 10-month period commencing on the earlier of the member's disability allowance effective date or the date of the member's death.~~

~~(2) A child adopted by the member.~~

~~(c) "Dependent child" shall not include the member's offspring or stepchild who is adopted by a person other than the member's spouse.~~

~~(d) "Dependent child" under the family allowance program shall not include:~~

~~(1) A member's offspring or stepchild who was financially dependent on the member on the date of the member's death if a disability allowance was payable to the member prior to his or her death and the disability allowance did not include an amount payable for that offspring or stepchild.~~

~~(2) A stepchild or adopted child acquired subsequent to the death of the member.~~

~~(e) "Financially dependent" for purposes of this section means that at least one-half of the child's support was being provided by the member on the member's disability allowance effective date or the date of the member's death. The system may require that income tax records or other data be submitted to substantiate the child's financial dependence. In the absence of substantiating documentation, the system may determine that the child was not dependent on the effective date of the member's disability allowance or the date of the member's death.~~

~~(f) "Member" as used in this section shall have the same meaning specified in Section 23800.~~

~~(g) This section shall become operative on January 1, 2002.~~

~~SEC. 5. Section 22124 of the Education Code is amended to read:~~

~~22124. "Dependent parent" means a natural parent of a member, or a parent who adopted the member prior to the earlier of the occurrence of the member's marriage or his or her attaining 18 years of age, and who was receiving one-half or more of his or her support from the~~

1 ~~member at the time of the member's death or, for~~
2 ~~purposes of health care benefits, at the time the member~~
3 ~~becomes eligible for those benefits.~~

4 ~~SEC. 6. Chapter 38 (commencing with Section 25500)~~
5 ~~is added to Part 13 of Division 1 of Title 1 of the Education~~
6 ~~Code, to read:~~

7
8 ~~CHAPTER 38. HEALTH CARE BENEFITS~~
9

10 ~~25500. The board shall administer a program pursuant~~
11 ~~to this chapter to provide health care benefits for~~
12 ~~members, beneficiaries, children, and dependent~~
13 ~~parents.~~

14 ~~25502. The health care benefits program provided for~~
15 ~~in this chapter may be administered directly by the~~
16 ~~system, through a contract with a private, third-party~~
17 ~~administrator, or through a contract with an existing,~~
18 ~~publicly administered health care benefits program, as~~
19 ~~determined by the board following its feasibility study of~~
20 ~~a statewide health care benefits program.~~

21 ~~25504. (a) The board shall have all powers reasonably~~
22 ~~necessary to carry out the powers and responsibilities~~
23 ~~expressly granted or imposed upon it under this chapter.~~

24 ~~(b) All laws governing the organization, procedures,~~
25 ~~and administrative duties and responsibilities of the~~
26 ~~board shall be applicable to the board in its administration~~
27 ~~of the provisions of this chapter, to the extent that they~~
28 ~~are not in conflict with or inconsistent with the provisions~~
29 ~~of this chapter.~~

30 ~~25506. The board shall, in accordance with this~~
31 ~~chapter, approve health care benefit plans and may~~
32 ~~contract with carriers offering health benefits plans.~~

33 ~~25508. (a) The board shall, pursuant to the~~
34 ~~Administrative Procedure Act, adopt all necessary rules~~
35 ~~and regulations to carry out the provisions of this part,~~
36 ~~including but not limited to establishing the scope and~~
37 ~~content of a basic health care benefits program,~~
38 ~~regulations fixing reasonably minimum standards for~~
39 ~~health care benefits plans, regulations fixing the time,~~
40 ~~manner, method, and procedures for determining~~

1 ~~whether approval of any plan should be withdrawn, and~~
2 ~~regulations pertaining to any other matters it may be~~
3 ~~expressly authorized or required to provide for by rule or~~
4 ~~regulation by the provisions of this chapter.~~

5 ~~(b) The regulations of the board shall also make~~
6 ~~provision respecting the beginning and ending dates of~~
7 ~~coverage of members, beneficiaries, children, and~~
8 ~~dependent parents under the health care benefits~~
9 ~~program.~~

10 ~~(c) In adopting rules and regulations, the board shall~~
11 ~~be guided by the needs and welfare of individual~~
12 ~~members, particular classes of members, and of their~~
13 ~~employers, as well as prevailing practices in the field of~~
14 ~~prepaid medical and hospital care.~~

15 ~~25510. The health care benefits program provided for~~
16 ~~in this chapter may, in the discretion of the board, include~~
17 ~~vision and dental care benefits.~~

18 ~~25512. The provisions of this chapter shall not apply to~~
19 ~~any member of the system whose employer has elected~~
20 ~~to become subject to the Public Employees' Medical and~~
21 ~~Hospital Care Act (Chapter 1 (commencing with Section~~
22 ~~22751) of Part 5 of Division 5 of Title 2 of the Government~~
23 ~~Code).~~